

# FOREIGN POLICY ASSOCIATION

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## Background of the German Elections

A general election of deputies to the German Reichstag will be held on May 20, 1928. Competent observers abroad predict that the election will strengthen the more moderate elements in Germany at the expense of the Nationalists and Communists. These prognostications are based largely on the outcome of several recent state and municipal elections in the Reich which have resulted in considerable gains by the Democrats and Social Democrats. They are further motivated by an appraisal of the growth of liberal opinion in Germany as the economic situation has improved and the hardships of the inflation years recede somewhat into the background. Correspondingly, the blind resentment of the parties of the extreme Right and the extreme Left has cooled as the international and economic situation of Germany has become better.

This report deals with the background of the coming elections, giving the present political alignment in the Reich, the programs and make-up of the political parties,

and the major political problems confronting the country. These issues are, however, rather difficult to define in more than general terms. In Germany, people speak of "problems," rather than campaign "issues" as we understand them in the United States. The programs of the various parties outline the broad philosophical bases of party dogma rather than positions in regard to specific questions. In general it may be stated, however, that the broad issues are: Support of a "Monarchy" or a "Republic"; repudiation or vindication of Dr. Stresemann's conciliatory foreign policy; fulfilment of Germany's obligations under the Peace Treaty, and the reparation settlement; a strongly centralized government versus a loosely bound federal régime with considerable autonomy for the German states and provinces; further socialization of industry versus less governmental control; agrarian relief; the relation of Church and State, and the establishment of state denominational schools.

### PARTY REPRESENTATION IN THE LAST REICHSTAG

The German Reichstag, which was dissolved on March 31, 1928, was elected to office on December 7, 1924. Its term would have expired automatically in December, 1928, since the Reichstag is elected for a four-year term "by universal, equal, direct and secret suffrage of all men and women over twenty years of age, according to the principles of proportional representation."<sup>1</sup>

Because of the number of political parties in Germany, and the close numerical balance between the parties of the Right and Left, the German political situation is complex. Unlike the countries where a two-party system exists, the German Governments since the Revolution have always been coalition ministries, representing a number of parties and often barely commanding a majority in the Reichstag. There is little or no indication that anything but

coalition government will be possible in the Reich for some time to come.

The parties in the last Reichstag are given in the following table. They are listed according to their programs, from the parliamentary Right (conservative) to the Left (radical).

PARTIES	REPRESENTATION
National Socialist ( <i>Völkische</i> )....	11 members <sup>2</sup> 3 guests <sup>3</sup>
National People's ( <i>Deutschnationale Volkspartei</i> ) .....	108 members 2 guests
People's ( <i>Deutsche Volkspartei</i> )	51 members
Economic Union ( <i>Wirtschaftliche Vereinigung</i> ) .....	21 "
Bavarian People's ( <i>Bayerische Volkspartei</i> ) .....	19 "
Catholic Center ( <i>Zentrum</i> ) .....	68 "
Democratic .....	32 "
Social Democratic .....	131 "
Communist .....	35 "
Left Communist .....	10 "
No party .....	2 "
	<hr/> 493 Total

### PARTY PROGRAMS AND LEADERS

#### THE PARTIES OF THE EXTREME RIGHT

The parties of the extreme Right are now two in number: The National Socialist Worker's Party (*Nationalsozialistische Deutsche Arbeiter-Partei*) and the German People's Freedom Movement (*Deutschvölkische Freiheitsbewegung*).

The leader of the former is Adolf Hitler of Munich, a former non-commissioned officer, an intense nationalist and an Austrian by birth; the leader of the People's Freedom Movement is Count von Reventlow, a well-known member of the Pan-German League before the war.

Both these parties demand complete revision of the peace treaties, renunciation of the Dawes Plan, Locarno and Germany's membership in the League of Nations. They are intensely anti-Semitic and adhere staunchly to the old Pan-German ideal of a pure German national state, admitting to German citizenship only 100 per cent Germans, allowing no immigration and refusing citizenship to Jews, besides banning them from holding office and from owning or publishing newspapers. These parties advocate overthrowing the Republic by force and do not believe in parliamentary government, but in an extreme dictatorship with certain socialistic features. Their program is largely a negative one.

1. Articles 22 and 23 of the Weimar Constitution. These principles were carried into effect by an election law of April 27, 1920 which did not, however, fix the number of members of the Reichstag. A system, worked out first in Baden, determines the number automatically by providing that each party or group of voters shall elect one member for each 60,000 votes which it polls in a district. Thus the number of members of the Reichstag depends on the total vote cast under the principle of proportional representation. In 1923-24, the Reichstag was composed of 466 members; the last Reichstag which has just been dissolved had 493 members. Cf. McBain and Rogers, *The New Constitutions of Europe*, p. 101, et seq.

2. The *Völkische* parties, forming the extreme Right, are composed of the following: *Nationalsozialistische Deutsche Arbeiter Partei*, *Deutschvölkische Freiheitsbewegung*.

3. "Guests" may be described as members of the Reichstag who are not actually members of a party "fraction," or group, but are attached to the fraction and usually vote with it. Fifteen representatives of a party are necessary to form a fraction. These groups are important in the transaction of parliamentary business. Membership in committees of the Reichstag is possible only for members of a fraction, so that a Reichstag member not attached to such a group would be without influence.

## PROGRAM OF THE NATIONALISTS

The National People's Party (*Deutschnationale Volkspartei*) is the direct successor to the old German Conservative Party of the Empire, one of the chief parties of old Germany, in fact Bismarck's last party. In spite of its concession to democratic ideas by the inclusion of the phrase, "People's Party," in its name, the party is monarchistic and nationalistic in tendency, and its members are usually referred to as the "Nationalists." The party represents agrarian and land-holding classes, particularly of Prussia, ex-army officers and officials of the old régime, and industrialists and middle class elements with monarchist sympathies.

The leader of the party is Count Kuno von Westarp, for years an official under the Empire, chairman of the Kreuz-Zeitung Publishing Company and a regular weekly contributor to the party organ, the *Kreuz-Zeitung*.

Other principal leaders of the Nationalists are:

Dr. Oskar Hergt, formerly in the Prussian Government, president of the party after the Revolution and until 1924, and Vice-Chancellor and Minister of Justice in the last Marx Cabinet.

Admiral von Tirpitz, before the war chief of the powerful German Navy League, and Secretary of State for the Navy; member of the Reichstag since 1924. It has been announced that Admiral von Tirpitz will not run for re-election in the coming elections.

Dr. Otto Hoetzs, professor of Eastern European History at the University of Berlin; one of the party specialists in foreign affairs although inclined more to support Dr. Stresemann's conciliatory policy than are the majority of his party; member of the Reichstag.

Martin Schiele, landowner and manufacturer; Minister of the Interior in 1925 under Dr. Luther's chancellorship, and Minister of Agriculture and Food in the last Marx Government.

Dr. Walther von Keudell, Minister of the Interior in the last Marx Cabinet.

Dr. Wilhelm Koch, Minister of Communications in the last Marx Government.

The program of the National People's Party may be summarized as follows:

## FOREIGN POLICY

"We demand a strong, consistent foreign policy, based solely on a German viewpoint; a dignified, staunch and skillful representation of German interests abroad, and the utilization of her economic strength for Germany's foreign political interests."

1. Revision of the Versailles Treaty.
2. Return of the German colonies.
3. Protection of and close ties with Germans living outside the Reich.
4. Armaments: Universal military service, constant remembrance of Germany's past military glory, a navy adequate to protect the coastline of the Reich and its political and economic interests, and the rebuilding of the German merchant marine.

## DOMESTIC POLICY

In domestic affairs the party stands for a strongly centralized government with, however, protection for the independence of the states comprising the Reich. "The interests of the Reich demand an undivided Prussia with undiminished rights."

1. The Monarchy: "The monarchistic form of government represents the historical development of Germany. Above the (political) parties stands the monarchy as the safest guarantee of the unity of the people, the protection of minorities, the continuity of the State and the incorruptibility of the civil service. The individual German States should have freedom in deciding upon their own form of Government; for the Reich we strive for the renewal of the German *Kaisertum* along the lines laid down by the Hohenzollerns."
2. Strong German patriotism and suppression of all non-German elements such as the Jews, and restriction of immigration of non-Germans. In particular, the party is strongly opposed to the political prominence of the Jews in the Reich since the Revolution.

3. Religion: The party considers a deepening of Christian faith in the Reich essential to the moral rebirth of the German people. It also advocates legal protection of the church and no encroachment on its freedom. (The party members for the most part are Evangelical Lutherans.)
4. Education: The chief purpose of education, according to the Nationalists, is to develop the spiritual unity of the German nation; this end is to be achieved by Christian religious instruction and patriotic teaching. Furthermore, it would be best achieved through denominational schools instead of schools for children of all faiths.
5. Economic Life: (a) The right of private property is inviolable and Communism in all forms is to be combatted; state ownership to be recognized only where necessary for the common good.  
(b) Need of rebuilding Germany's economic life, with particular emphasis on the protection and development of agriculture.

The domestic policy of the National People's Party is thus very much the same as that of the old Conservative Party before the war. In foreign policy, the party vigorously opposed the Locarno settlements and Germany's entrance into the League, and, while it now recognizes the necessity of carrying out the Dawes Plan, it strongly advocates revision of the Plan as well as of the peace treaties, and the restoration of former German territory, both European and colonial.

#### AIMS OF THE PEOPLE'S PARTY

The successor of the right wing of the old National Liberal Party of Imperial Germany, the German People's Party, represents, as did the National Liberals, the large industrialists (particularly coal, iron and steel) and many middle class voters who find the Nationalists too extreme. The right wing of the National Liberal Party was in later years strongly protectionist and staunchly patriotic, supporting and helping to initiate Germany's policy of *Weltpolitik* and a large army and navy.

The present leaders of the People's Party (*Deutsche Volkspartei*) are:

Dr. Gustav Stresemann, the leader of the old National Liberal Party after the death of Dr. Bassermann, its leader for many years. After the Revolution, and after having been refused membership in the Democratic Party, Dr. Stresemann turned to the People's Party. He is chiefly responsible for founding it and is now its President. As Chancellor of the Reich in 1923, and as Foreign Minister since 1924, Dr. Stresemann has been the chief exponent of a conciliatory foreign policy, of fulfilment of Germany's obligations under the Peace Treaty and the reparation settlement, *rapprochement* with France and the negotiation and ratification of the Locarno Treaties and Germany's entrance into the League of Nations. These policies have become synonymous with the name of Dr. Stresemann.

Dr. Ernst Scholz, formerly Minister of Economics; member of the Reichstag; chairman of the People's Party Reichstag fraction.

Dr. Julius Curtius, Minister of Economic Affairs in the Reich Government since 1926; member of the Reichstag since 1920.

Frau Clara Mende, member of the Reichstag and of the Executive Committee of the party.

The chief aim of the People's Party, according to its program, is the cultivation of German patriotism. It strives for political and economic understanding between peoples, but believes this is impossible as long as the honor of the German people is "trampled under foot" by its enemies, and as long as many Germans who have been torn from the Reich must remain outside its borders. Its program calls for the restoration of the old imperial colors—black, white and red—instead of the new black, red and gold flag of the Reich.

The Party advocates the reconstruction of the Reich "in the framework of the present form of government (*Staatsform*). It believes in a unified federal state under Prussian leadership. The



party does, however, envisage the Empire, "established by constitutional means through free resolution of the people as the symbol of German unity, the form of government historically and in essence most appropriate to our people."

The People's Party is against immigration of foreigners into Germany; "it wishes to keep the German people, German." In religion, it is Protestant. It is strongly against the internationalism of the Social Democrats and all attempts to minimize the national state and substitute cosmopolitanism therefor, but not against the internationalism of cartels and economic combines.

In the field of industry, the one in which the party is most interested, it holds firmly to the right of private property and inheritance, and combats, with all its force, the socialization of industry. In fact, it may be said that it bitterly opposes the Social Democrats in almost all economic problems. The party has a strong protectionist tariff wing.

In foreign affairs, the party has supported the conciliatory policy of its leader, Dr. Stresemann, although it seeks revision of the peace treaties.

#### THE ECONOMIC UNION

The Economic Union (*Wirtschaftliche Vereinigung*) is a combination of a number of small parties—notably the Commercial Party (*Wirtschafts Partei*), the Bavarian peasant and bourgeois confederation (*Bayerischer Bauern-und Mittelstandsbund*), and the Guelph party (*Deutsch-Hannoversche Partei*). The Union represents chiefly middle class economic interests and is conservative in tendency.

The leaders are Herr Drewitz, chairman of the party; Herr Fehr, former minister in Bavaria; Dr. Bredt, professor of law.

#### BAVARIAN PEOPLE'S PARTY

The Bavarian People's Party (*Bayerische Volkspartei*), as its name implies, is a provincial body electing representatives

in Bavaria only. It is a Catholic party and was formed in 1919 when the extreme states' rights Bavarian Centrists withdrew from the main Center Party in protest to the centralizing financial policy of Dr. Erzberger. Although in general more conservative in temper than the Center Party, the Bavarian People's Party usually follows the lead of the former. It represents South German Catholic interests and, to a certain extent, the interests of the old states' rights party, as exemplified by the endeavors of the Hanoverian or Guelph Party. Thus the chief plank in its platform is protection of states' rights as against extension and centralization of the federal power of the Reich, and greater autonomy for Bavaria as opposed to the hegemony of Prussia.

#### PROGRAM OF THE CATHOLIC CENTER PARTY

The party of the Catholics in Germany, the Center, includes in its membership a cross-section of German voters representing all classes of the people. Industrialists, workers, landowners, peasants, and clergy of the Catholic faith belong to the Center Party. Including as it does such widely divergent interests, the policy of the Center tends to be moderate, though veering sometimes to the Left and sometimes to the Right. Lately the party has leaned more in the latter direction. No political combination in the Reich would be possible at present without the cooperation of the Center Party; because of its strategic position it forms a sort of pivot, a starting point in the formation of all Governments, thus making it to some extent one of the few stable factors in German post-war politics and giving it a strong strategic position in the Reichstag.

The Center Party was formed in 1870 under the able leadership of Dr. Ludwig Windthorst as a means of combatting Bismarck's anti-Catholic measures in the *Kultur-Kampf*, and was an important factor in German politics under the Empire. The Center Party has been represented in every Cabinet since February, 1919.

Its principal leaders are at present:

Dr. Wilhelm Marx, four times Chancellor of the Reich; participated in the London Conference in 1924; was defeated by General von Hindenburg for President of the Reich in 1925.

Dr. Adam Stegerwald, President of the Catholic Trade Unions (*Gesamtverband der Christlichen Gewerkschaften*) and *Der Deutsche Gewerkschaftsbund*); member of the Reichstag.

Dr. Heinrich Brauns, Minister of Labor in every Government since the Revolution.

Dr. Joseph Wirth, Chancellor of the Reich in 1921 and 1922; Finance Minister in 1920-21, during which period he reformed the finances of the Reich. He is leader of the left wing of the Center Party, and stands firmly for the Republic and a policy of fulfilment of German obligations.

Dr. Heinrich Köhler, Minister of Finance in the last Marx Government; he has also held important posts in financial administration in the provinces, especially in his native state, Baden; member of the Reichstag since 1920.

Theodor von Guérard, Vice-President of the Center Party; member of the right wing of the party; member of the Reichstag.

Dr. Johannes Bell, Minister of Justice in the last Marx Government, Minister for the Colonies in 1919 and Minister of Communications in 1920; Vice-President of the Reichstag; one of the signers of the Treaty of Versailles.

The program of the Center Party is expressed in the most general terms, a fact which is understandable when the wide divergency of the party's membership is taken into consideration. Always an opportunist party, its program lays down no fixed policy in specific matters but provides the guiding lines for party action. These may be summarized as a Christian (Catholic) basis for state, society, industry and culture.

"Demands for self-determination must not rest on desire for selfish power, but be motivated by the moral ideas of justice. A truly Christian community of peoples is the highest ideal of world policy."

The Center Party upholds the Weimar Constitution and combats the predominance of any one class or caste. It believes in a federal state, and officially supports the Republic, although not all of its members are staunch Republicans. It advocates strong unity for the Reich with free development of the component states. It opposes state control of education and is strongly in favor of denominational schools.

In foreign policy, the party has favored conciliation and fulfilment of Germany's obligations, voted for the Locarno treaties and Germany's entrance into the League, and has upheld Dr. Stresemann in his policy of Franco-German *rapprochement*.

Although the Center Party will doubtless present a united front at the coming election, it has experienced considerable internal dissension during the past year, chiefly because of the dissatisfaction of the left wing of the party and the Christian Trade Unions (Catholic Unions). This section of the Center strongly resents the cooperation of the party with the Nationalists during the past year and feels that the interests of the workers have not been sufficiently cared for.

#### PLATFORM OF THE DEMOCRATIC PARTY

Founded after the Revolution, the Democratic Party may be regarded as the more or less direct successor of the old Progressive Party (*Fortschrittspartei*) of Imperial Germany. It includes also some members of the left wing of the old National Liberal Party who found the People's Party a bit too conservative. It represents small financial, industrial and commercial interests with a strong Jewish constituency. Its supporters are largely urban, middle class people and intellectuals, and the fact that three of the most important newspapers in Germany, the *Frankfurter Zeitung*, the *Berliner Tageblatt* and the *Vossische Zeitung*, are Democratic in policy probably gives the party somewhat more prestige than the actual number of its members would indicate. Due to its strategic position near the center, the Democrats have been represented in a majority of Reich

Cabinets since the Revolution. The leaders of the party are:

Dr. Erich Koch-Weser, Chairman of the party; former Minister of the Interior, and a staunch supporter of the Republic and a strong central government.

Anton Erkelenz, Chairman of the Executive Committee of the party; member of the left wing of the Reichstag fraction of the party; leader of the Democratic Trade Unions.

Count von Bernstorff, former Ambassador to the United States; chief of German delegation to the League of Nations' Preparatory Disarmament Commission.

Professor Walter Schücking, one of the most eminent jurists of Germany.

Prof. Ludwig Quidde, well-known pacifist leader, recently awarded the Nobel Peace Prize.

The program of the Democratic Party stresses, as its first plank, the party's firm adherence to the Weimar Constitution and the Republic. It believes in a unified state, with equal rights for all and strict adherence to parliamentary government. The party supports a militia defense system, undenominational schools and gradual separation of Church and State. It is against socialistic measures and monopolies.

In foreign policy, the Democratic Party has worked consistently for conciliation with France, although it is firmly convinced of the necessity of revision of the peace treaties. The Democrats voted for ratification of the Locarno treaties and Germany's entrance into the League of Nations, and stand for fulfilment of reparation payments.

#### THE SOCIAL DEMOCRATIC PARTY

Formed in 1875, by a fusion of the followers of Ferdinand Lassalle and Karl Marx, the Social Democratic Party in the last Reichstag election before the war (1912) polled the greatest number of votes of any party in Germany. The number of seats, however, which the Social Democrats held in the Imperial Reichstag was not in proportion to its popular vote, because of the

fact that the German election districts had not been altered since 1871. The party based its platform on Marxist doctrine; in practical politics before the war it stood for absolute political democracy, drastic direct taxation, revolutionary social legislation and a militia system for the army.

The success of the Revolution of November, 1918 was largely due to the Social Democratic Party, which was then called upon to take its full share of responsibility in the Government of the Reich. Before the war, no Socialist had ever been a member of a Ministry.

After the Revolution, the Social Democrats found themselves obliged to take the initiative in administering a bankrupt and defeated Empire. At the same time, the party was faced with a split in its own ranks. The Independent Socialists of the left wing were chiefly interested in bringing about a social revolution before the political one, and in the establishment of a government based on Workmen's Councils, but without "Dictatorship of the Proletariat." To the Majority Socialists, on the other hand, the idea of class warfare was exceedingly distasteful.

Friedrich Ebert, one of the leaders of the Social Democratic Party, was appointed Chancellor, but so divergent were the methods of the Majority Socialists and the Independents that cooperation proved impossible, and, after a long struggle, the more moderate element drove the Independents from power. The sympathy of the latter for the Spartacus group—the Communists—hastened the final break.

It is not within the scope of this report to trace in detail the work of the various parties in the Reich since the Revolution. Suffice it to say in regard to the (Majority) Social Democratic Party that it has held office in nine out of seventeen Governments since the Revolution, and that six times a Social Democrat has been Chancellor of the Reich.

The members of the Social Democratic Party have been drawn mainly from skilled and unskilled workers, office clerks and employees and some civil servants. The principal leaders of the party at present are:

Hermann Mueller, Minister of Foreign Affairs in the first Government after the Revolution; one of the signers of the Versailles Treaty; Chancellor in 1920 from March until June.

Dr. Otto Braun, Prime Minister of Prussia since 1920.

Dr. Paul Loebe, President of the Reichstag, one of the leaders in the Pan-Europa movement.

Dr. Rudolf Breitscheid, member of the Reichstag, specialist for the party in foreign affairs and chairman of the party's Foreign Relations' Committee.

Rudolf Hilferding, editor of *Die Gesellschaft*, the scientific organ of the party; former Minister of Finance.

The program of the Social Democratic Party has been characterized as "moderate constitutional state Marxian Socialism." The party envisages the struggle against capitalism as political, as well as economic. In summarizing its philosophical basis, the program states:

"In the democratic Republic, the workers possess a form of government, the preservation and extension of which is an indispensable necessity in their struggle for freedom. The Social Democratic Party is not fighting for new class privileges and prerogatives but for the abolition of class domination and of class itself; for equal rights and duties for all without exception of sex or birth. With this principle in mind, the party fights not only against exploitation and suppression of wage earners but against all exploitation and suppression, be it against a people, a class, a party, a sex or a race.

"The task of the Social Democratic Party is to direct and unify the fight for freedom of the workers and to point out to them their necessary goal. The Party works toward its goal through fixed principles and endeavors in political, economic, social and cultural fields."

In the realm of action and practical politics the policies of the Social Democratic Party may be summarized as follows:

#### DOMESTIC POLICY OF THE SOCIAL DEMOCRATS

1. Support of the Republic.
2. Centralization of power in the Federal Government of the Reich—the so-called *Einheits Republik* (Unitary Republic); administrative reforms looking towards democratization and centralization.

3. Reform of the judiciary, and actual equality before the law.

4. Disbanding of all monarchistic and militaristic societies and the reorganization of the Reichswehr to make it a reliable support of the Republic.

5. Protection of the workers.

This includes:

- (a) The right of organization and strike.
- (b) Abolition of child labor.
- (c) Eight hour day, forty-two hour week, diminution of night work, week-end pause, annual vacation with pay.
- (d) Unified and extended social legislation.

6. Educational program.

The Social Democrats believe in public schools for all with no privileges; they oppose the influence of the Church, and religious and cultural organizations (*Weltanschauungsgemeinschaften*) on education, and to this end support the separation of Church and State, and school and Church, and encourage secular elementary and professional schools and colleges (*Hochschulen*). Furthermore the party opposes the use of public funds for church and religious matters.

7. Financial and taxation policy.

Financial reform based on the principles of taxation at the source and of division of the burden of taxation in accordance with economic capacity for work. The party believes in uniform taxation and extension of income, property and inheritance taxes.

8. Economic policy.

- (a) State ownership of national resources.
- (b) Right of the workers to share in industrial management.
- (c) Control by the Reich of cartels and trusts.
- (d) Building up of free trade by means of the negotiation of commercial treaties.



## SOCIALIST FOREIGN POLICY STRESSES PEACE

The Social Democratic Party is a member of the Second (Amsterdam) International, the workers' organization to which most of the Socialist parties of Europe belong. This International is the direct successor of the (First) International originally founded by Karl Marx in 1864, which was dissolved in 1873 and finally revived as the Second International in 1889. The party program therefore states that, as a member of the Workers' International, the party unites with the workers of all countries in fighting against imperialism and Fascism and for the furtherance of Socialism.

The party program states further:

"The party opposes with all its strength every aggravation of disputes between the peoples and every endangering of the peace.

"It demands peaceful settlement of international conflicts and their submission to compulsory arbitration.

"It intercedes for the self-determination of peoples and for the right of minorities to democratic and national autonomy.

"It is against the exploitation of colonial peoples, and the common destruction of their economic organization and culture.

"It demands international disarmament.

"It advocates the economic unity of Europe, which is necessitated by economic causes; the creation of a United States of Europe, in order to foster solidarity of interest among the peoples of all continents. It demands the democratization of the League of Nations and its development into an effective instrument for peace."

The Social Democratic Party seeks revision of the peace treaties through the united influence of the international proletariat. It advocates fulfillment of the reparation program, but on a basis avoiding special burdens on the working classes. The party voted for ratification of the Locarno treaties and for Germany's entrance into the League of Nations.

The chief underlying motive of Social Democratic foreign policy is, according to its leaders, its practical pacifism<sup>4</sup> and its

emphasis on disarmament and peaceful settlement of international disputes. For this reason, the party has stressed the necessity of a policy of conciliation with France and friendly commercial relations with Soviet Russia.

## PROGRAM OF THE COMMUNIST PARTY

The beginnings of the German Communist movement first appeared within the ranks of the old Social Democratic Party. When the latter party split in the spring of 1917 and the anti-war Independent Socialist Party was formed, the so-called "Spartakusbund" of Karl Liebknecht and Rosa Luxemburg, within the Independent Socialists, formed the nucleus of what afterwards became the Communist Party. The first Congress, called in December, 1918, founded the Communist Party. For a time between 1920 and 1922, the Independent Socialist Party threw in its lot with the Communists, but this alliance did not last. Since 1922 the Independent Socialists, as a party, have more or less disappeared from the political stage, inasmuch as the majority have reunited with the Majority Social Democrats.

Its chief aim is world social revolution and the establishment of a dictatorship of the proletariat. The German Communists do, however, sit in the Reichstag and the provincial parliaments, since they believe in making use of every means possible to achieve their ends.

The German Communist Party belongs to the Third (Communist) International with headquarters in Moscow.

## PARTY ALIGNMENTS ON IMPORTANT POLICIES

In general it may be said that, in matters of foreign affairs, the conciliatory policy of Dr. Stresemann — comprising Franco-German *rapprochement*, fulfillment of the Versailles Treaty, the Dawes Plan, the Locarno pacts and Germany's entrance into the League of Nations — has been supported by the following parties: People's Party, Bavarian People's Party, Democrats, and Social Democrats. All parties in the Reich agree, however, that the Versailles Treaty and the

<sup>4</sup> Cf. Breitscheid, Rudolf, "Das aussenpolitische Programm der Sozialdemokratie," *Europäische Gespräche*, April, 1926, p. 169, et seq.

Dawes Plan must be revised, although the parties of the Right, especially the Nationalists and the extreme *Völkische* parties are extremely vociferous and uncompromising in their views. All parties demand the evacuation of the Rhineland. Similarly, all parties demand international recognition of what all consider to be a fact,—namely, that Germany was not solely responsible for the Great War. In regard to return of the former German colonies, the parties of the Right and Center favor such action, the People's Party being the most active in the colonial movement.<sup>5</sup>

In domestic affairs, the Democrats, Social Democrats and the left wing of the Center Party are republican in sentiment; the Nationalists are monarchistic, while the People's Party tolerates the Republic, but its right wing at least is tinged with monarchism. A strongly centralized Reich government is favored by the Social Democrats, most of the Nationalists, the People's Party and the Democrats. The Center advocates a more decentralized federal state, though some prominent members of the left wing, notably ex-Chancellor Wirth, are in favor of a strongly centralized government.

### SURVEY OF POLITICAL DEVELOPMENTS

Since the election of the 1924 Reichstag, there have been four Cabinets in the Reich:

I. A cabinet under the chancellorship of Dr. Luther (Non-Partisan), composed of ministers from the Nationalist Party, the People's Party, the Center Party, the Bavarian People's Party and the Democratic Party, took office January 15, 1925.

This Ministry was thus predominantly of the Right parties; the only Democrat included was Minister of Defense Gessler, who could scarcely be counted as a real representative of his party, and in fact subsequently resigned from it.

The sudden death on February 28, 1925 of President Ebert and the subsequent election in April of General von Hindenburg to the presidency of the Reich was regarded at the time as a blow to the Republic, and as augmenting the strength of nationalist elements in Germany. Contrary to predictions, however, this has not proved to be the case, for President von Hindenburg has shown himself to be most loyal to his oath to support the Republic and has endeared himself to the German people, not only as a great soldier, but as an able and conscientious president.

It was during the term of this Luther Cabinet that the Locarno Treaties were negotiated and signed. As a protest against

Germany's signature to these pacts, the three Nationalist Ministers in the Government resigned on October 25, 1925, and it was only through the earnest solicitation of President von Hindenburg that the Luther Cabinet remained in office and functioned as a sort of rump ministry until December 5, when it resigned. It is reported that, in order to gain Socialist support for the ratification of the Locarno Treaties, Dr. Luther had promised the Social Democratic Party that his Cabinet would resign as soon as this ratification had taken place, in order to allow the formation of another Government. Moreover, the withdrawal of Nationalist support from the Government made such a move imperative.

#### CABINET FALLS ON FLAG ISSUE

II. The second Luther Cabinet took office January 19, 1926 and was composed of representatives of the People's Party, the Democratic Party, the Center Party and the Bavarian People's Party.

The political complexion of this Government was thus considerably more liberal than that of the preceding ministry, but its position was most unstable since it commanded only the barest majority in the Reichstag. It was faced with numerous important domestic issues, including settlement of the claims of the ex-ruling families of Germany and the so-called flag issue, and it was this latter question which finally proved to be its Waterloo.

5. Cf. Townsend, M. E. *Contemporary Colonial Movement in Germany*, (Political Science Quarterly, March, 1928, p. 64-75.) Cf. also *Soll Deutschland Kolonialpolitik Treiben?* Europäische Gespräche, December, 1927.

On May 5, the Luther Government had decided that the German diplomatic, consular and other government offices abroad should display the old imperial colors—black, white and red—alongside the black, red and gold flag of the Republic. The Democrats introduced a motion into the Reichstag disapproving this ruling, a motion which was carried by 176 votes of Democrats, Socialists and Communists against 146 votes cast by the People's Party, the Center and the Bavarian People's Party. The Nationalists abstained from voting. The Democrats at once withdrew from the Cabinet on the ground that the flag issue had shown the Chancellor, Dr. Luther, to be under the influence of the reactionary Right. The issue was largely a sentimental one, the parties of the Left feeling that any return to the old imperial colors was an insult to the Republic and a step towards restoration of the monarchy.

#### GERMANY ENTERS LEAGUE UNDER DR. MARX

III. A cabinet under the chancellorship of Dr. Marx (Center) was formed at once, and took office on May 16, 1926, composed of the same members as the preceding Luther Ministry, *i. e.*, representing the Center, the People's Party, the Democrats and the Bavarian People's Party. The fact that neither of the larger parties—Nationalists or Social Democrats—was represented in this Government made it very unstable, just as its predecessor had been, for in order to secure a majority in the Reichstag, the Ministry had to obtain the votes of one or the other of these parties. In general it may be said that the support of the Nationalists was forthcoming in favor of conservative domestic policies; while the Socialists could be counted on to vote with the Government in furthering Dr. Stresemann's conciliatory foreign policy. This was at best, however, an uncertain and unsatisfactory basis of government.

This Ministry—the third headed by Dr. Marx—lasted until December 17, 1926, and has to its credit Germany's entrance into the League of Nations. The Ministry finally fell because of a Socialist non-confidence motion which was passed by the Reichstag

by a vote of 249 to 171—the Nationalists and Communists, together with the Social Democrats, voting against the Government.

The Socialist non-confidence motion was directed for the most part against Minister of Defense Gessler, who, it was claimed by the Socialist leaders, had been secretly co-operating for many years with reactionary military leaders in building up military reserves and military supplies for the Reichswehr in violation of the disarmament provisions in the Treaty of Versailles. The climax of these accusations came with the revelations made by a British journalist, in December, 1926, of alleged secret agreements negotiated in 1923 and 1924 between the Soviet Government, the German Ministry of War, and the (German) Junkers Armament Works for the manufacture by the latter of military aircraft and munitions of war in Russia for German use. The German Ministry of War (*Reichswehrministerium*) appears to have been principally implicated in these transactions, without much knowledge of the Government, but the affair offered the chief motivation of the Socialist non-confidence motion.

The Nationalists, on the other hand, voted against the Government on purely political grounds. They desired a Government with a clear parliamentary majority in the Reichstag, in which they should be represented, and not a continuation of the weak coalitions of the preceding two years.

The Parliamentary crisis lasted six weeks, because of the insistence of the Nationalists that they be given a large number of seats in the Cabinet and the Center Party's equally firm insistence that the Nationalists should not be admitted to the Ministry at all, until they had accepted certain fundamental conditions concerning foreign policy. These included recognition of: (1) the Republic; (2) the Locarno Pacts; (3) Germany's membership in the League of Nations; and (4) the army, the Reichswehr, as an instrument which must not be under the control of any party.

In most of these demands, the Centrists had the support of leaders of the People's

Party, Dr. Stresemann's party, for these principles formed the cornerstone of the latter's foreign policy. These conditions were finally agreed to in principle by the Nationalists and they were given four seats in the new cabinet.

#### FOUR NATIONALIST MINISTERS JOIN NEW GOVERNMENT

IV. A cabinet under the chancellorship of Dr. Marx (Center) was again formed on January 31, 1927<sup>6</sup> and has continued in office ever since, although since February 15, 1928, when it was announced that no agreement was possible in regard to the School Bill,<sup>7</sup> this Government has existed merely as a sort of "business ministry" pending the dissolution of the Reichstag (which took place on March 31) and the forthcoming general election.

The members of the fourth Marx Cabinet were:

Wilhelm Marx (Center Party), Chancellor and Minister of Occupied Areas.

Oskar Hergt (Nationalist), Vice-Chancellor, Minister of Justice.

Martin Schiele (Nationalist), Minister of Agriculture and Food.

Walter von Keudell (Nationalist), Minister of the Interior.

Wilhelm Koch (Nationalist), Minister of Communications.

Gustav Stresemann (People's Party), Minister of Foreign Affairs.

Julius Curtius (People's Party), Minister of Economic Affairs.

Walter Schätzel (Bavarian People's Party), Minister of Posts and Telegraphs.

Heinrich Koehler (Center Party), Minister of Finance.

Heinrich Brauns (Center Party), Minister of Labor.

Otto Gessler <sup>8</sup> (no party)	} Minister of Defense
William Groener (no party)	

This Ministry, with four members of the Nationalist Party holding portfolios, was the most conservative Government which had held office in Germany since the Revolution. It has been alleged that, in regard to domestic issues, the chief reason which impelled the Center Party to cooperate in a coalition with the Nationalists was a common interest in securing the establishment of denominational schools in the Reich. This issue has been agitating the Reich for eight years. One of the first tasks of the last Marx Ministry was the preparation of a school bill providing for the foundation of such schools.

#### SCHOOL BILL CONTROVERSY DOMINATES POLITICAL SITUATION

Under the existing public school system in Germany, the elementary schools, known as "people's" schools, are attended by children belonging to different religious denominations. All schools, public and private, are under governmental control. Private preparatory schools were abolished by the Weimar Constitution. Thus there may be said to be virtually no private schools in the Reich.

Religious instruction is a part of the regular curriculum of all elementary schools which are a part of the general school system.<sup>9</sup> Such instruction is provided in Protestant, Catholic and Jewish faiths, the parents of the children deciding in which faith their children shall be instructed. However, it is not compulsory for a child to have religious tuition if the parents do not desire it, nor for a teacher to give such instruction unless he or she wishes.<sup>10</sup>

Not satisfied with the existing system, the Center Party has demanded the establishment of denominational schools which shall be attended by children of only one faith and which shall give religious instruction in this one denomination only. This question was discussed in great detail by the

9. Cf. Article 149 of the Weimar Constitution; this provision does not apply to special or professional schools.

10. This is in accordance with Articles 135 and 136 of the Weimar Constitution, providing for liberty of belief and conscience. "Religious instruction is to be regulated by the school laws." (Article 148), a fact which has been interpreted to mean that the State and not the Church is the responsible "employer" of the teachers. This means, further, that the State must undertake the guidance of religious instruction and must decide on the place of such instruction in the curriculum. Cf. Anschütz, G. *Die Verfassung des deutschen Reichs von 11 August, 1919*, p. 239, et seq.

6. This is the fourth time Dr. Marx has been Chancellor.

7. Cf. p. 99.

8. Dr. Gessler resigned on January 14, 1928; Cf. p. 102.



Constituent Assembly in 1919 and, after a hard struggle, a paragraph<sup>11</sup> was inserted in the Constitution which provided that:

"... within the municipalities, upon the request of those persons having the right to education, elementary schools of their own religious belief or of their own philosophical viewpoint (*Weltanschauung*) shall be established."

Such schools, however, must not interfere with the general plan of a common elementary public school system, which is the basis of the German school system. The details of the establishment of denominational schools are to be "prescribed by state legislation on the basis of a national law."

This provision of the Weimar Constitution is known as the "School Compromise," and was primarily an achievement of the Catholic Center Party, which in this instance was able to gain an important point in its educational program.<sup>12</sup> The whole matter of extending the "School Compromise" and of providing further religious education in the schools was left squarely up to the national government of the Reich.

After achieving the constitutional "School Compromise," the Center Party set about securing the necessary legislation to put it into effect. In 1919, when Germany was faced with the necessity of forming a ministry which would accept the onus of signing the Treaty of Versailles, the resulting coalition of Social Democrats and Centrists was made possible only after the latter had extracted from their colleagues in the coalition a pledge to permit denominational schools and religious instruction to be established as part of the educational system of the Reich.<sup>13</sup>

The multitude of difficulties, domestic and foreign, which faced the German Republic in the first years of its existence, as well as the actual political alignments within the Reich, made it impossible for the Centrists to secure the introduction of a school bill for this purpose until the formation of the fourth Marx Government in January, 1927. Then, as has already been noted, the cooperation of the Centrists and the Nation-

alists was secured partly on the understanding that the Cabinet would introduce a school bill. Both parties consider religious instruction, especially in denominational schools, a means of strengthening the religious conservatism of the Reich and of keeping the coming generations free from the taint of free-thinking radicalism.<sup>14</sup>

#### PROVISIONS OF DRAFT SCHOOL BILL

The draft of the proposed school bill provided for the establishment of three kinds of elementary schools:

(1) "Community" schools in which religious instruction, divided according to denomination, is part of the school curriculum. These schools are open to all children of school age. At present, the majority of elementary schools in Germany are of this kind, and are attended by children of all faiths.

(2) "Denominational" schools. According to the projected bill, schools of this type were to be established at the request of religious associations which are legally incorporated bodies.<sup>15</sup> A petition asking for the establishment of a denominational school must be presented by the parents and guardians of at least forty children of school-age.

The denominational schools are to be divided into Evangelical, Catholic, and Jewish elementary schools; they are designed to educate the children in the faith in which they have been raised.

(3) "Undenominational" schools (secular or cultural). Schools of this category are intended for children not affiliated with any religious denomination or in cases where parents do not wish them to have religious instruction in either of the other two classes of schools described above. Special cultural instruction may be provided in the undenominational schools, if the parents of at least two-thirds of the pupils belong-

14. Furthermore, the State Church, as it existed before the Revolution, was abolished by the Weimar Constitution, a fact to which the Nationalists have been unreconciled.

15. According to the Weimar Constitution, Article 137, Paragraph 5, "Religious associations which are public corporations are entitled to levy taxes on the basis of the civil tax lists in accordance with the laws of the States." The Reich collects the taxes for the church, about 10 per cent of the income tax of each church member going to the church.

11. Article 146, Paragraph 2.

12. Cf. Anschütz, *op. cit.*, p. 234, *et seq.* Also Brunet, R. *La Constitution Allemande du 11 Aout, 1919*, p. 253, *et seq.*

13. See Graham, M. W., *New Governments of Central Europe*, p. 95.

ing to an organized cultural group<sup>16</sup> petition for it.

#### THE REICHSTAG DEBATES THE SCHOOL BILL

The Reichsrat<sup>17-18</sup> considered the draft school bill last October and worked on certain amendments to it, but finally rejected the whole bill on October 14, 1927 by a vote of 37 to 31, primarily because of the same objections which later caused its failure in the Reichstag. It was then introduced into the Reichstag by the Government, its rejection by the Reichsrat necessitating a two-thirds vote of the Reichstag to pass it.<sup>19</sup>

The school bill was discussed in the Reichstag in great detail from October, 1927 until the end of January, 1928. The parties supporting the bill were the Center, the Bavarian People's Party, the Nationalists and the People's Party. Those opposing it consisted of the Democrats, the Social Democrats, and the Communists. The essentially conservative right wing members of the Center Party were as much interested in upholding the power of the Catholic Church as were the Protestant Nationalists in furthering the staunch conservatism of the Lutheran Church; both parties stand for law and order.

The People's Party upheld the introduction of the bill as a political measure of the Ministry to which the party belonged. Although largely a Protestant party with conservative economic views, the party retained enough of the tradition of liberalism of the old National Liberal Party<sup>20</sup> to make its support rather luke-warm, and finally to cause it to join the ranks of the opponents of the bill. This was due partly to the fact that many German school teachers and professors belong to the People's Party and as a body have been strongly opposed to the bill.

The particular issue which led to its rejection by the People's Party was the question of whether certain states should be required

to maintain both community and denominational schools. As a concession to those who opposed the immediate establishment of the two systems of schools, Article 20 of the bill provided that in the states of Baden and Hesse, as well as in the former Duchy of Nassau, denominational schools should not be established for five years. The People's Party, however, was opposed to this provision and favored instead the indefinite continuance in these states of a single system of community schools. It did not believe that these provinces, in which community schools had become the standard by state law or custom, should be required, even after five years, to establish and maintain a system of denominational schools in addition to community schools. Consequently the People's Party proposed an amendment to the bill indefinitely relieving these states of any obligation to establish denominational schools. The amendment to this effect was adopted over the head of the Marx Government.

Opposition to the school bill arose over the question of whether or not it is the province of the public school to teach religion, and also over financial considerations. The school bill did not state clearly just what proportion of the cost of the denominational schools should be borne by the Reich, and what proportion by the provinces. Many believed that, regardless of where the burden fell, it was too heavy, in view of Germany's obligations caused by the war.

#### SUPPORT OF PEOPLE'S PARTY WITHDRAWN

The defection of the People's Party from the ranks of the supporters of the school bill was followed by inter-party conferences and attempted compromises, all of which led to no result, and by February 15 the Center and the People's Party leaders admitted that no agreement was possible—an announcement tantamount to the fall of the Government. A great deal of important unfinished business was still before the Reichstag, and, on February 10, President von Hindenburg addressed a letter to Chancellor Marx, pointing out the need for immediate legislation in regard to the budget, agrarian relief, reform of the penal code, and so on. The

16. According to Article 137, Paragraph 6, of the Weimar Constitution, "Societies which aim at mutual cultivation of a *Weltanschauung* shall be in a status similar to that of religious associations."

17-18. This is the Upper Chamber of the German legislature. Its members are representatives of the German states appointed by the state ministries; it occupies a position, so far as legislative power goes, similar to that of the British House of Lords. Cf. Lowell, A. L. *Greater European Governments*. (rev. ed., 1926.) p. 283, et seq.

19. Cf. Article 74, Paragraph 3, of the Weimar Constitution.

20. Cf. p. 89.

President, therefore, requested the Ministry to compose its differences of opinion and proceed to the completion of its pressing business.

As a result, the Cabinet after long negotiations did not actually resign, but continued in office as a sort of "business Ministry," and the Reichstag, before its final dissolution on March 31, passed the budget including the provisions for emergency agrarian relief.

#### IMPROVED ECONOMIC SITUATION OF THE REICH

The present economic and financial condition of the German Reich may also influence the coming elections. Since the general election in December, 1924, the Reich has passed through the trials of post-inflation—marked in the earlier stages by an acute shortage of working capital and credit, and later by severe unemployment reaching its peak in March, 1926. It is estimated that since the war 3,000,000 to 4,000,000 more persons in Germany have been seeking employment than before, and this condition has greatly aggravated the situation. This is due both to the inflation which wiped out the life-time savings of many who had retired from work, and to the abolition of the large standing army of pre-war Germany.<sup>21</sup>

The government has assisted industry in its recovery by alleviating the burden of taxation to some extent and by means of loans and guarantees.

The budgets of the Reich for the past four years may be summarized in the following table. The figures for 1928-29 are estimates.

Budgets of German Reich, 1924-1928<sup>22</sup>  
(In millions of Marks)

Year	Revenue	Expenditures
1924-25	7757	7220
1925-26	7334	7444
1926-27	7690	8543
1927-28	8274	9130
1928-29 <sup>23</sup>	9503	9503

21. Cf. Great Britain, Overseas Trade Department, *Report on the Economic and Financial Conditions in Germany, 1925-26*, p. 13, et seq.

22. These figures are taken from the *Report of the Agent General for Reparation Payments*, December 10, 1927, p. 43; for complete figures see Appendix II, p. 105.

23. Estimates taken from *The Economist* (London), December 17, 1927, p. 1096. For complete figures see Appendix I, p. 104. These figures have been checked against figures taken from the semi-official *Reichszentrale für Heimatdienst*, January, 1928, and found to be substantially the same.

The figures covering 1924-28 exclude the proceeds of loans as well as all transfers of balances from year to year, and transfers from reserve funds; but they include both the so-called ordinary and extraordinary budgets of the Reich.<sup>24</sup> The three years before 1928-29 show a deficit.

The budget for 1928-29 was passed by the Reichstag on March 30 by 200 votes against 170. The Social Democrats, Democrats, Commerce Party (*Wirtschafts Partei*), National Socialists (*Völkische*) and Communists voted against the budget—the last two on principle, and the others because of dissatisfaction with the agricultural relief program, the recent large appropriation for a warship, and the Reichswehr Ministry's budget in general. The Phoebe scandal also lost votes for the Government's budget.<sup>25</sup>

#### AGRARIAN RELIEF PROGRAM PASSED BY REICHSTAG

During the last months there has been considerable agitation in the Reich concerning the provisions in the extraordinary budget regarding emergency agricultural relief—demanded to aid the farming class, and also to make Germany more independent of foreign supplies. This relief provision consists of subsidies as follows:<sup>26</sup>

25 million Rm. for the German Cooperatives.

30 million Rm. for organization of markets for meat.

30 million Rm. for subsidizing agricultural enterprises whose existence is threatened because of indebtedness.

The program further provides for facilitating credits to farmers. Through an organization known as the *Rentenbank Kreditanstalt*, credits from the Reich are allowed up to 100,000,000 marks. Another provision of the relief project restricts the amount of refrigerated meat which may be imported free into Germany.

The Nationalists, as the party of great

24. The ordinary budget is the principal element in the budget of the Reich, receiving practically all of the revenue and including about eighty per cent of the expenditures. The balance of the expenditures, which are made through the extraordinary budget and the war charges budget, have a special character and in some instances involve borrowing. The extraordinary budget, as its name implies, comprises expenditures of an extraordinary nature. Cf. *Report of the Agent General for Reparation Payments*, December 10, 1927, p. 43, et seq.

25. Cf. p. 102.

26. The figures are taken from *Der Deutsche Volkswirt*, March 9, 1928, p. 724.



landowners, have been backing this program vigorously, supported to some extent by the People's Party. Recently there have been demonstrations by peasants' organizations in favor of it. Little opposition has been offered to the principle of state aid; the chief grievance of those parties opposed to the measure seems to have been a lack of clarity in the provisions for carrying the program into effect, and a belief that it was railroaded through as a campaign measure at the end of the Reichstag session, to the advantage of the Nationalists.

#### PROBLEM OF FEDERAL VS. UNITARY STATE

Another problem which may become an election issue is that of federalism, as opposed to a strongly centralized government. The Weimar Constitution greatly altered the relations of the states to the Reich from the situation which existed before the Revolution of 1918-19. Today, for example, the German Constitution no longer speaks of states, but of *Länder*, or territories; a Reichsrat has taken the place of the old Bundesrat, or assembly of state governments; and the powers which may be exercised exclusively by the central government have been greatly increased.<sup>27</sup> Accordingly, the relation of the territories to the Reich, the question of whether the future constitutional development of the Reich should be towards a truly federal or a truly unitary state, is an important problem in the present German political situation. Inextricably bound up with this whole subject is the historic question of Prussia's relation to the rest of the German states. Although it has given up many of its most important powers, and its representation in the Reichsrat has been fixed at not more than two-fifths of the total votes—in contrast to its former overwhelming preponderance in the old imperial Bundesrat—Prussia still commands a position of great importance in the Reich inasmuch as more than four-sevenths of the area and population of Germany is Prussian. The intense jealousy of the South German states, particularly Bavaria

and Württemberg, towards Prussia made the drafting of the Weimar Constitution exceptionally difficult and ever since has complicated domestic politics in Germany.

The Center Party, with the exception of most of its left wing, and the Bavarian People's Party are the strongest advocates of a federal state; the Nationalists and, to a somewhat lesser degree, the People's Party are particularly interested in preserving and augmenting Prussian leadership in a strongly unified German state; the Social Democrats and the Democrats believe in a strong central government, though with local state autonomy.

It is felt that further unification of the Reich would result in a stronger national patriotism, a reduction of national expenses by the abolition of numerous minor state governments, and a simplification of the distribution of taxes.

The exact financial relations between the Reich and the states and communes has not been definitively settled. Mr. S. Parker Gilbert, Agent General for Reparation Payments, has stressed in each of his semi-annual reports, however, the importance of reaching an early settlement. This question was also discussed at length in the Dawes Plan itself.

#### FINANCIAL RELATIONS OF REICH AND STATES

The general financial relations of the Reich and the territories are set forth in Article 8 of the Weimar Constitution.<sup>28</sup> A law of April 9, 1927 made a provisional settlement of the question for two years.<sup>29</sup> This law expires March 31, 1929 and the new Reichstag to be elected May 20, 1928 will doubtless have the task of making a final settlement.

Through the initiative of the Democratic Mayor of Hamburg, a conference of representatives of the eighteen states comprising the Reich was held in Berlin from January 16-18, 1928 to consider the defects in

27. Cf. Lowell, A. L., *Greater European Governments*, (rev. ed., 1926), p. 278, *et seq.* Also Weimar Constitution, Articles 1-19; and McBain and Rogers, *New Constitutions of Europe*, p. 62, *et seq.* For description of the Reichsrat, see footnote 17-18, p. 99.

28. Article 8. The Reich shall have in addition the power of legislation as to taxation and other revenues in so far as they are claimed in whole or in part for its purposes. If the Reich lays claims to taxes or other revenues which formerly belonged to the states, due consideration must be given to the protection of the financial needs of the states.

29. For details, see *Report of the Agent General for Reparation Payments*, June 10, 1927. p. 49, *et seq.* Also *Report of December 10, 1927.* p. 65, *et seq.*



Germany's federal system. The conference was attended by important Cabinet Ministers of the Reich and the Premiers and Finance Ministers of the territories. Many speeches were made and committees appointed to study the problems involved, but nothing of immediate importance was accomplished. This whole question, especially in its financial aspects, will be undoubtedly one of the important problems facing the new Reichstag.

#### PHOEBUS SCANDAL EMBARRASSES GOVERNMENT

A scandal, which proved to be a great embarrassment to the German Government, and which was the partial cause of the adverse vote of the Democrats and Social Democrats on the 1928-29 Reich budget, was brought to light during the last months of the life of the fourth Marx Ministry, and officially investigated by a special commission of the Reichstag. Comparable in some respects perhaps to the oil scandals in the United States, the investigation disclosed the fact that the German Navy Department was in possession of a fund of money, originally derived from the sale of scrap iron and from Ruhr funds, which it could use for any purpose whatsoever without being obliged to give an accounting to the Reichstag, although, according to the German Constitution, it is the Reichstag which must appropriate all moneys to be expended by the Government.

The scandal first revealed a subsidy paid to the Phoebus Film Company of 2,808,000 marks (\$702,000), according to *Der Deutsche Volkswirt*, although some newspaper accounts placed it as high as 9,000,000 marks (\$2,250,000). It is a known fact that this film company was in financial straits, and presumably the subsidy was paid on the condition that the company produce a number of films of patriotic character. The investigation later uncovered the fact that a secret fund of 30,000,000 marks (\$7,500,000) had been available for the Navy Department which could be used without any account being rendered. A certain Captain Lohmann, whose excessive personal expenditures attracted attention in Berlin, leading first to the discovery of the Phoebus

subsidies, and finally to the official investigation, was in control of this fund. After considerable agitation in the Opposition press, the Reich Minister of Defense, Dr. Gessler, resigned on January 14, 1928, presumably because of ill-health, and the investigation was begun. It disclosed further startling subsidies, and other personal extravagances on the part of Captain Lohmann, paid for out of this secret fund. The whole unsavory affair has not been without its effect upon the prestige of the German Government, although the latter disclaims responsibility, on the ground that the whole matter goes back to 1924.

#### REPUBLIC STRENGTHENED IN LAST THREE YEARS

In reviewing the three and a quarter years of the life of the last Reichstag, it must be remembered that the 1924 elections had resulted in greatly increased strength for the Nationalists. This reaction was regarded by many observers as a development which might naturally be expected during the first years of the new Republic. In this connection, the *Frankfurter Zeitung*, albeit from a Democratic viewpoint, has given an interesting survey of the work of this Reichstag.<sup>30</sup>

"Since the victory of the December, 1924 elections, the Nationalists have been compelled to work for their ends by legal means—in the Reichstag and within the framework of the Weimar Constitution. Furthermore, in order to join the Government, they found themselves obliged to assume responsibility."

It is to these facts that the *Frankfurter Zeitung* attributes what it characterizes as the complete failure of the Nationalist attempt against the Republic. This liberal paper feels that it was the "historic task of the 1924 Reichstag to block the course of augmented nationalism by the very means of forcing the Nationalists to accept responsibility of government."

"The power of the Right was further increased when, in 1925, the Nationalist candidate, Field Marshall von Hindenburg, was elected President of the Reich. In January, 1927, after all other party combinations had failed, real parliamentary coalition government with large Nationalist representation was formed."

<sup>30</sup> *Frankfurter Zeitung*, Erstes Morgenblatt, April 1, 1928, p. 1.

Thus, the *Frankfurter Zeitung* points out, the Republic was handed over to its opponents and luke-warm friends; but, nevertheless, it experienced the triumph of seeing these enemies subscribe to the written and unwritten laws of parliamentary democracy.

According to the *Frankfurter Zeitung*, the Nationalists have not, however, had a very "happy time."

"From the beginning, their partners in the coalition regarded them with great mistrust, and a harmonious agreement as to broad lines of policy was never reached. Finally, they were disappointed in their most important gamble—that of attaching the Center Party to the parties of the Right by means of the School Bill.

"This Reichstag has, however, fulfilled its historic mission in that it offered the conservative, reactionary forces the chance of making their assault on the new State within the framework of parliamentary democracy. The State has withstood this attack; the wave on which the Nationalists rode to power four years ago is now ebbing."

Thus the outstanding fact in the domestic affairs of the Reich during the last three and a quarter years seems to be the real strengthening and entrenchment of the Republic. Great progress has been made, as well, in the field of foreign affairs.

#### ACHIEVEMENTS OF THE OUTGOING REICHSTAG

The outgoing Reichstag has to its credit the ratification of the Locarno Treaties, Germany's signature of the Covenant of the League of Nations, the Protocol of Signature of the Permanent Court of International Justice,<sup>31</sup> and the Franco-German Commercial Treaty of August 17, 1927. Furthermore, during its tenure of office, the first zone of the Rhineland was evacuated by the British, and the Interallied Military Control Commission was withdrawn from Germany on January 31, 1927. The period has thus been marked by what seems to be a real beginning of Franco-German *rapprochement*. Nevertheless, all parties in the Reich demand the complete evacuation of the Rhineland and the scaling down of reparations, and in this connection there is a strong sentiment for a definitive fixation of the total amount which Germany must pay. The fact that Dr. Stressemann has held the portfolio of Foreign Affairs in all four of the Ministries which have governed the Reich during the life of this Reichstag has of course been largely responsible for Germany's consistent conciliatory foreign policy. That he will continue to hold this post after the coming elections seems a fair certainty.

<sup>31</sup> Germany has also signed the so-called Optional Clause of the Court Protocol providing for compulsory arbitration of all disputes. This action has not as yet been ratified by the Reichstag.

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## APPENDIX I

### German Draft Budget for 1928-29<sup>1</sup>

	1927 (Millions of Marks)	1928
Ordinary Budget. Revenue:		
Direct recurring taxes .....	5,280.0	6,035.0
Direct non-recurring taxes .....	25.0	25.0
Customs and Excise:		
Controlled taxes .....	2,410.0	2,590.0
Others .....	35.0	42.0
Totals .....	7,750.0	8,692.0
Receipts from Administration:		
Coinage .....	190.0	175.0
Posts, Railways, etc. ....	329.0	364.4
From past years' surpluses .....	200.0	125.0
From Treasury reserve .....	190.0	.....
Total ordinary revenue .....	8,659.0	9,356.4
Expenditure:		
Subventions to States and municipalities .....	2,892.9	3,217.8
Home war burdens .....	177.2	209.8
Foreign .....	831.2	1,227.5
Other recurring expenditure .....	3,928.6	4,249.0
Non-recurring expenditure .....	829.1	452.3
Total ordinary expenditure .....	8,659.0	9,356.4
Extraordinary Budget:		
Revenue .....	476.2	146.3
Whereof from loans .....	466.4	.....
Expenditure .....	476.2	146.3
Whereof unemployment relief .....	130.0	25.0
Both budgets: Balance totals .....	9,135.2	9,502.7
The separate statement for Reparations payments, which are included in the above totals, is:		
	1927 (Millions of Marks)	1928
In ordinary Budget .....	831.2	1,227.5
For Reparations Reserve .....	67.5	19.7
Total Reparations Expenditure .....	898.7	1,247.2
The net Federal Expenditure total, after deduction of subventions, is .....	6,242.3	6,284.9
And the net total, after deduction also of Reparation payments, are .....	5,343.6	5,037.7

1. *The Economist* (London). December 17, 1927. p. 1096.

## APPENDIX II

### COMPARATIVE STATEMENT OF THE SEPARATE BUDGETS OF THE REICH<sup>2</sup>

(In millions of reichmarks)

	1924-25	1925-26	1926-27	1927-28
	actual	actual	actual	esti- mates
Current revenues (excluding inter- budgetary transfers):				
Ordinary budget .....	7,559.6	7,162.3	7,669.0	8,267.4
Extraordinary budget .....	173.9	132.3	2.1	3.1
War charges budget, ordinary ....	2.9	29.3	18.2	1.7
War charges, extraordinary .....	20.5	10.5	0.3	1.6
Totals .....	<u>7,756.9</u>	<u>7,334.4</u>	<u>7,689.7</u>	<u>8,273.8</u>
Current expenditures (excluding inter- budgetary transfers):				
Ordinary budget .....	5,493.2	6,259.7	7,187.4	7,645.6
Extraordinary budget .....	516.2	343.4	413.9	387.7
War charges budget, ordinary ....	1,001.6	422.4	323.0	177.3
War charges budget, extraordinary	209.2	418.8	618.9	919.6
Totals .....	<u>7,220.2</u>	<u>7,444.3</u>	<u>8,543.2</u>	<u>9,130.2</u>
Excess of current revenues over current expenditures .....	536.7	.....	.....	.....
Excess of current expenditures over current revenues .....	.....	109.9	853.5	856.4

2. From Report of the Agent General for Reparation Payments, December 10, 1927, p. 43.